

# Plantation

## Recovery in Production and Exports

### Highlights

- MPOB's Mar 26 data showed palm oil inventory declining to 2.27m tonnes, driven by a surge in exports which more than offset the increase in production.
- Elevated CPO prices are expected to support planters' earnings during the low harvest season in 1Q26, while most remain insulated from near-term fertiliser cost pressures.
- Maintain OVERWEIGHT. Sector picks: SD Guthrie (BUY/Target: RM6.90) and Hap Seng Plantations (BUY/Target: RM2.65).

### Analysis

- **MPOB's Mar 26 data.** End-stocks declined by 16.1% mom to 2.27m tonnes, slightly above market expectations of 2.19m tonnes, primarily due to stronger-than-expected production figures.
  - Production showed a mom recovery in Mar 26 following the end of the low production season, with output rising to 1.38m tonnes (+7.2% mom), exceeding market expectations of a 2-6% increase. The growth was mainly driven by East Malaysia, with output in Sabah and Sarawak rising by 14% and 7% mom respectively. In contrast, Peninsular region recorded a more modest output growth of 4.3% mom.
  - Exports surged by 41% mom and 54% yoy to 1.55m tonnes, broadly in line with cargo surveyors' estimates. The strong exports growth was mainly supported by pent-up demand from the festive season and improved competitiveness of Malaysia's palm oil exports following the hike in Indonesia's export levy effective Mar 26. According to the Intertek survey, exports volume growth was mainly contributed by key markets such as India and Africa.
  - End-stocks fell to 2.27m tonnes in Mar 26, as the sharp rebound in exports managed to offset the recovery in production and relatively softer domestic consumption.
- **Outlook.** Palm oil production is expected to continue rising mom heading into the peak production season. However, Apr 26's output may remain lower yoy due to the shift in the peak production window in the previous year. Following the strong rebound in Mar 26, exports are expected to moderate in April due to the absence of festive seasons and an anticipated softer demand from key markets such as India amid the recent sharp rise in CPO prices. Early exports surveys for 1-10 Apr 26 indicate that export momentum has slowed down significantly, falling by 30-38% mom during the period. That said, inventory levels are expected to remain broadly flattish in April, as exports volume should still be sufficient to offset the anticipated increase in production. Stocks levels are likely to trend higher from May onwards as the peak production cycle gains momentum.

## OVERWEIGHT (Maintained)

### Analyst(s)

Lester Siew

lestersiew@uobkayhian.com

+603 2147 1990

Amerul Iqmal

ameruliqmal@uobkayhian.com

+603 2147 1988

### Segmental Rating

| Segment  | Rating                  |
|----------|-------------------------|
| Malaysia | OVERWEIGHT (Maintained) |

Source: UOB Kay Hian

### Sector Picks

| Company              | Ticker  | Rec | Share Price (RM) | Target Price (RM) |
|----------------------|---------|-----|------------------|-------------------|
| Hap Seng Plantations | HAPL MK | BUY | 2.31             | 2.65              |
| SD Guthrie           | SDG MK  | BUY | 5.99             | 6.90              |

Source: Bloomberg, UOB Kay Hian

### CPO Price Assumptions (RM/Tonne)

|      | CPO Price (RM/tonne) |
|------|----------------------|
| 2021 | 4,408                |
| 2022 | 5,088                |
| 2023 | 3,810                |
| 2024 | 4,180                |
| 2025 | 4,306                |

### Our Forecast:

|       |       |
|-------|-------|
| 2026F | 4,500 |
|-------|-------|

### CPO Price:

|                                    |       |
|------------------------------------|-------|
| MPOB @ 9 Mar 26                    | 4,600 |
| BMD 3 <sup>rd</sup> Month Contract | 4,538 |

Source: UOB Kay Hian

### Peer Comparison

| Company              | Ticker  | Rec* | Price<br>10 Apr 26<br>(RM) | Target<br>Price<br>(RM) | Upside<br>To TP<br>(%) | Last<br>Year<br>End | 2024<br>(x) | 2025F<br>(x) | 2026F<br>(x) | Yield<br>2025F<br>(%) | ROE<br>2025F<br>(%) | Market<br>Cap.<br>(RM) | Price/<br>NAV ps<br>(x) |
|----------------------|---------|------|----------------------------|-------------------------|------------------------|---------------------|-------------|--------------|--------------|-----------------------|---------------------|------------------------|-------------------------|
| Hap Seng Plantations | HAPL MK | BUY  | 2.31                       | 2.65                    | 14.7                   | Dec-25              | 12.0        | 7.9          | 7.8          | 5.5                   | 5.9                 | 1871.3                 | 0.9                     |
| SD Guthrie           | SDG MK  | BUY  | 5.99                       | 6.90                    | 15.2                   | Dec-25              | 21.8        | 19.6         | 21.3         | 2.7                   | 12.2                | 42531.6                | 2.1                     |
| Genting Plantations  | GENP MK | HOLD | 5.29                       | 5.48                    | 3.6                    | Dec-25              | 12.4        | 11.5         | 10.8         | 4.3                   | 6.9                 | 4710.1                 | 0.9                     |
| IOI Corporation      | IOI MK  | BUY  | 4.25                       | 4.80                    | 12.9                   | Jun-26              | 17.7        | 17.5         | 15.6         | 2.7                   | 12.7                | 26900.7                | 2.1                     |
| Kuala Lumpur Kepong  | KLK MK  | BUY  | 21.94                      | 24.65                   | 12.4                   | Sep-25              | 28.9        | 15.1         | 13.4         | 2.8                   | 5.8                 | 24366.9                | 1.7                     |
| Kim Loong Resources  | KIML MK | HOLD | 2.58                       | 2.25                    | (12.7)                 | Jan-26              | 14.4        | 14.3         | 14.6         | 6.9                   | 18.5                | 2380.1                 | 2.6                     |
| Sarawak Oil Palms    | SOP MK  | HOLD | 4.67                       | 3.15                    | (32.2)                 | Dec-25              | 8.4         | 8.7          | 8.8          | 2.2                   | 12.2                | 3961.6                 | 0.9                     |

Source: Bloomberg, UOB Kay Hian

### MPOB'S Mar 26 Statistics

| (m tonne)             | Mar 25   | Feb 26 | Mar 26 | mom % chg | yoy % chg | 3M26   | Yoy % chg |
|-----------------------|----------|--------|--------|-----------|-----------|--------|-----------|
| CPO Production        | 1.39     | 1.28   | 1.38   | 7.2       | (0.8)     | 4.24   | 11.1      |
| Palm Oil Domestic Use | 0.45     | 0.37   | 0.33   | (11.0)    | (27.0)    | 1.09   | 2.7       |
| Palm Oil Exports      | 1.01     | 1.10   | 1.55   | 40.7      | 54.3      | 4.11   | 29.3      |
| Oleochemical          | 0.21     | 0.21   | 0.25   | 21.9      | 19.5      | 0.68   | 6.0       |
| Biodiesel             | 0.01     | 0.02   | 0.01   | (19.3)    | (13.6)    | 0.05   | (47.5)    |
| Palm Oil Imports      | 0.12     | 0.08   | 0.07   | (12.4)    | (45.2)    | 0.18   | (36.7)    |
| Palm Oil Stocks       | 1.56     | 2.70   | 2.27   | (16.1)    | 45.1      | 2.27   | 45.1      |
| CPO Price (RM/tonne)  | 4,759.00 | 4077.5 | 4321.0 | 6.0       | (9.2)     | 4139.0 | (12.4)    |

Source: MPOB, UOB Kay Hian

### Mar 26 CPO Production By Region And State

| (m tonne)       | Mar 25 | Feb 26 | Mar 26 | mom % chg | yoy % chg | 3M26 | Yoy % chg |
|-----------------|--------|--------|--------|-----------|-----------|------|-----------|
| Johor           | 0.21   | 0.20   | 0.20   | (1.3)     | (5.5)     | 0.64 | 6.0       |
| Pahang          | 0.22   | 0.21   | 0.21   | 1.7       | (3.7)     | 0.66 | 16.5      |
| Perak           | 0.16   | 0.13   | 0.14   | 8.8       | (11.0)    | 0.42 | 1.5       |
| Negeri Sembilan | 0.05   | 0.04   | 0.05   | 6.3       | (9.8)     | 0.14 | 10.0      |
| Selangor        | 0.05   | 0.04   | 0.04   | 9.8       | (15.0)    | 0.12 | (4.2)     |
| Terengganu      | 0.02   | 0.03   | 0.03   | 17.5      | 34.1      | 0.09 | 44.8      |
| Kelantan        | 0.02   | 0.02   | 0.03   | 3.1       | 20.2      | 0.08 | 48.6      |
| Kedah           | 0.02   | 0.02   | 0.02   | 23.9      | (7.5)     | 0.05 | (4.9)     |
| Other States    | 0.02   | 0.01   | 0.02   | 13.3      | 2.9       | 0.05 | 18.8      |
| Pen Malaysia    | 0.76   | 0.70   | 0.73   | 4.3       | (4.9)     | 2.25 | 10.0      |
| Sabah           | 0.30   | 0.31   | 0.33   | 7.4       | 8.2       | 1.03 | 20.3      |
| Sarawak         | 0.32   | 0.28   | 0.32   | 14.2      | 0.6       | 0.95 | 5.0       |
| East Malaysia   | 0.62   | 0.59   | 0.65   | 10.7      | 4.3       | 1.98 | 12.4      |

Source: MPOB, UOB Kay Hian

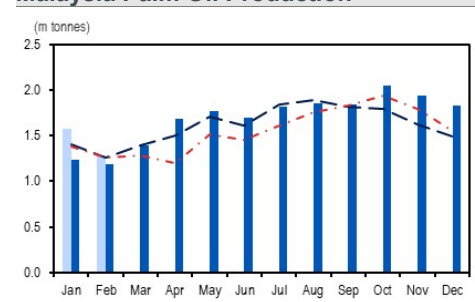
## Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain positive on the sector's outlook, underpinned by positive demand drivers such as the expansion of biofuel policies in the US and Indonesia. These are expected to absorb an additional 3m-4m tonnes of CPO feedstock or 4-5% of annual consumption, providing firm price support for CPO over the next two years. We maintain our CPO price forecasts at RM4,500/tonne and RM4,400/tonne for 2026 and 27 respectively.
- **Elevated CPO prices** are expected to deliver a net positive impact on planters' earnings over 2026-27, in our view, despite cost headwinds arising from higher fertiliser costs. The recent surge in CPO prices should support earnings during the low harvest season in 1Q26. Meanwhile, local planters under our coverage have secured near-term fertiliser supply, which should continue to insulate them from the immediate cost pressures.
- **Top picks.** We like SD Guthrie as it is a liquid big-cap play against the bullish CPO price backdrop, and is also supported by the positive narratives of its pivot towards renewable energy and industrial park development. In addition, pure-play Hap Seng Plantations still trades at an inexpensive valuation and offers an attractive dividend yield of 5.5%. On the other hand, we also like Kuala Lumpur Kepong as a laggard pick, with its downstream business expected to record a progressive earnings recovery.

## Sector Catalyst/Risk

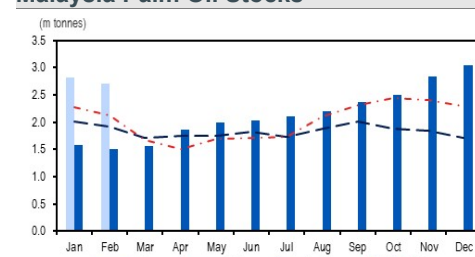
- Stronger-than-expected CPO prices.
- Recovery in downstream operators' sales margins.
- Potential weather disruptions, including El Nino in 2H26, curtailing industry supply.

### Malaysia Palm Oil Production



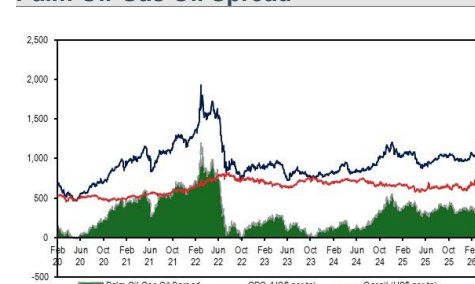
Source: MPOB, UOB Kay Hian

### Malaysia Palm Oil Stocks



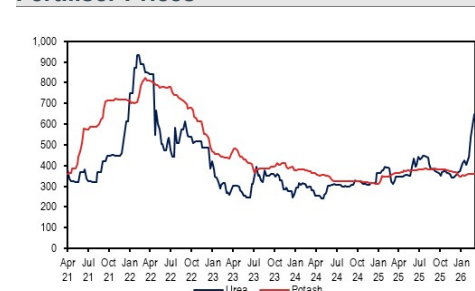
Source: MPOB, UOB Kay Hian

### Palm Oil-Gas Oil Spread



Source: Bloomberg, UOB Kay Hian

### Fertiliser Prices



Source: Bloomberg, UOB Kay Hian

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